

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
Auditor: Alberto Lañas

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Post-Payment Audit of the Texas Department of Housing and Community Affairs



Glenn Hegar
Texas Comptroller of Public Accounts

Table of Contents

Executive Summary

| | |
|---|-----|
| Audit scope..... | i |
| Payroll transactions and payroll deductions | i |
| Purchase transactions | i |
| Travel transactions..... | ii |
| Security..... | ii |
| Internal control structure | ii |
| Fixed assets..... | ii |
| Grants..... | ii |
| Prior post-payment audit and current audit recurring findings | iii |

Detailed Findings — Payroll

| | |
|-----------------------------------|---|
| Incorrect Longevity Payment | 1 |
|-----------------------------------|---|

Detailed Findings — Travel

| | |
|--------------------------------|---|
| Incorrect Lodging Payment..... | 3 |
|--------------------------------|---|

Detailed Findings — Internal Controls

| | |
|--|---|
| Control Risk Over Expenditure Processing | 4 |
|--|---|

EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Department of Housing and Community Affairs (Department) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning Dec. 1, 2015 through Nov. 30, 2016, to determine compliance with applicable state laws.

The Department receives appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Department should implement the recommendations listed in the Detailed Findings of this report. It is the Department's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Department's documents comply in the future. The Department must ensure that the findings discussed in this report are resolved.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

Payroll transactions and payroll deductions

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes.

The audit identified:

- Two employees with incorrect longevity payments.

A limited sample of voluntary contributions was also audited.

- No issues were identified.

Purchase transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#), the [State of Texas Contract Management Guide](#) and other pertinent statutes.

- No issues were identified.

Travel transactions

Travel transactions were audited for compliance with the GAA, [Texttravel](#) and other pertinent statutes.

The review identified:

- One travel voucher with an incorrect lodging payment amount.

Security

The audit included a security review to identify any of the Department's employees with security in USAS, USPS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner.

- No errors were identified.

Internal control structure

The Department's internal control structure was reviewed. The review was limited to obtaining an understanding of the Department's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The audit identified:

- Three employees with the ability to adjust payment instructions in TINS and approve vouchers without oversight.

As a routine part of our security review, we reviewed the Department's compliance with the requirement that all agency users of the Comptroller's office statewide financial systems complete a Confidential Treatment of Information Acknowledgement (CTIA) form.

- No errors were identified.

Fixed assets

The audit included a limited number of fixed assets acquired by the Department during the audit period. Their physical existence and use for state business was verified.

- No errors were identified.

Grants

A limited review of the Department's transactions relating to grants, rebates and retirement reimbursement payments was conducted as a part of our purchase sample. This review consisted of verifying that payments did not exceed authorized amounts. The review of these payments did not include an investigation of the Department's procedures for awarding the grants or monitoring payments made to the payees; therefore, no conclusion is being offered on those procedures.

Grant transactions were also audited for compliance with the GAA, the [Uniform Grant Management Standards](#), [eXpendit](#), the [State of Texas Procurement Manual](#), the Contract Management Guide and other applicable statutes.

- No issues were identified.

Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Department's payroll, purchase and travel transactions was concluded on Nov. 30, 2012.

During the current audit, the following recurring findings were identified:

- Incorrect longevity payments.
- Controls risk over expenditures processing.

Contact:

Alberto Lañas, MBA, CTCM
512-463-4582

Contributing Auditors:

Anna Calzada
Waleska Carlin, CGAP

DETAILED FINDINGS — PAYROLL

Incorrect Longevity Payment

Finding

We identified two employees who had incorrect state effective service dates in USPS due to missing prior state service verifications (PSSV). The employees noted the prior state employment on their job applications, but not on the internal PSSV forms to the Department. During the audit, the Department verified that the prior state services included in the applications were in fact valid. The Department stated that the additional service time was overlooked at the time of hire. These errors resulted in two underpayments of longevity totaling \$8,600, of which \$120 was part of the sample.

The Department's procedures require the verification of prior state service whenever an employee indicates having previous state employment on the Department's internal record of prior state employment form and/or the job application. Because of the audit, the Department compensated the employees for the underpayments of longevity pay and made the required adjustments to the two employees' leave accruals.

When an agency hires an employee, the agency must research whether the employee has had previous state employment. If prior state employment exists, the agency must confirm the amount of effective lifetime service credited and properly record it. See [Texas Payroll/Personnel Resource](#) – Longevity Pay.

Agencies are required to maintain specific documentation to support the legality, propriety, and fiscal responsibility of each payment made out of the agency's funds. The Comptroller may require the documentation to be made available during a post-payment audit, a pre-payment audit, or at any other time. See [Texas Payroll/Personnel Resource](#) – General Provisions – Required Documentation.

We provided the Department with the related schedules. They are not included with this report due to confidentiality reasons.

Recommendation/Requirement

The Department must review its controls and personnel records to ensure accuracy and completeness, as well as guarantee that its internal operating procedures include quality control measures that will detect any incorrect payments to a state employee. The Department must continue to review each employee's job application and internal record of prior state employment form for previous state service for all current and new employees to ensure that it is properly recorded. See [34 Texas Administrative Code Section 5.40\(c\)](#). The Department should also advise its employees to verify their effective prior state service totals. The Department must compensate for all future benefit underpayments, as it did with these two cases.

Department Response

The Department agrees with the finding and recommendation. Corrections of underpayments were made to the affected employees (May 2017). The Department will review each current employee's job application and internal record of prior state employment form for previous state service for all current employees and will complete this review by no later than May 31, 2018. For all new employees, the process of verifying employment applications, certification from the employee and a third party report from the Comptroller's office will further ensure that all prior state service is properly recorded. In addition, the Department will advise all employees to verify their effective prior state service totals.

DETAILED FINDINGS — TRAVEL

Incorrect Lodging Payment

Finding

We identified a travel transaction where the Department reimbursed the employee the incorrect amount for lodging expenses. The employee submitted the travel expenses and claimed an extra lodging expense for the amount of \$131 on the voucher. Due to an oversight, the agency did not match the voucher with the submitted invoices.

The Department's travel review process did not identify the error on the employee's travel voucher. As a result, the incorrect amount was reimbursed to the employee. A state employee who travels within the continental United States shall be reimbursed for the actual cost of lodging at the employee's duty point. See [General Appropriations Act, 2016-17, Article IX, Section 5.05\(a\) \(IX-27\)](#) and [Texttravel](#) – Meals and Lodging.

State employees must ensure that their travel complies with applicable laws and rules and may only be reimbursed for their actual lodging expenses not to exceed the maximum lodging reimbursement rate for that location. See [Texttravel](#) – Lodging Reimbursement and Lodging Receipt Requirements.

Recommendation/Requirement

The Department must ensure that all travel reimbursements are examined prior to payment to ensure compliance with all applicable travel regulations. We recommend the Department continue to review all vouchers submitted into USAS for travel reimbursement to ensure that only expenditures that comply with state laws are included. The Department should seek reimbursement from the employee for the overpayment of the lodging expense, unless it determines it is not cost effective to do so.

Department Response

The Department agrees with the recommendation. The issue has been resolved. The overpayment of lodging has been reimbursed to the Department. The Travel section will continue to be diligent in review and approval of vouchers submitted for payment to ensure that they comply with applicable state laws.

DETAILED FINDINGS — INTERNAL CONTROLS

Control Risk Over Expenditure Processing

Finding

Following our audit program, we reviewed certain limitations the Department placed on its accounting staff's abilities to process expenditures. We reviewed the Department's security for USAS, USPS and TINS, as well as signature cards. We did not review or test any internal or compensating controls that the agency may have relating to USAS, USPS or TINS security or internal transaction approvals. During the audit period, the Department had three employees who could adjust instructions in TINS and approve vouchers without supervision. The Department stated that this issue occurred due to a reorganizational transition period, when three senior members were granted security privileges that allowed them to modify access in TINS (PTINS14) and approval rights in USAS. This dual access has been effective for no more than a year. The Department stated it has other internal controls in place to prevent unauthorized transactions. We ran a report to determine whether any of the Department's payment documents processed through USAS during the audited period because of the action of only one individual. The report did not identify any expenditures that processed without oversight. Also, we confirmed that during the audit period the Department did not have any documents released by unauthorized users.

Recommendation/Requirement

The Department should constantly review the controls over expenditure processing and segregate each task to the maximum extent possible to ensure that no individual is able to process and release payments without oversight. The Department must limit user access to either enter/change voucher or release/approve batches. Also, the Department must limit the access of users who can enter/change vouchers or release/approve batches in USAS to view only access in TINS (PTINS02). An individual should not be able to create a vendor or change a vendor profile, create a payment and approve the payment.

The Department must work with the Comptroller's office Statewide Fiscal Systems Security Staff and the assigned appropriation control officer to set up a user profile that separates the entry from the approval of vouchers in USAS. The Department has the option of requesting a change in their D02 profile to put into operation a preventive control that will impede any transactions processed and released without oversight. If implemented, this edit will prevent all transactions in USAS and USPS entered or altered and released by the same user from processing. See [USAS Accounting and Payment Control \(FPP B.005\)](#) about reducing the imposed risk to state funds.

Department Response

The Department agrees with this recommendation. Comptroller's office has been contacted to change security access to comply with the appropriate view access (PTINS02) in TINS for staff that can release/approve batches in USAS. Security Coordinators will be responsible for evaluating security to ensure controls over expenditure processing and segregation of duties are strictly enforced.